

STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY

JAY B. RISING
State Treasurer



Report on
Examination

**VILLAGE OF BURLINGTON
CALHOUN COUNTY**

February 28, 2005

Local Audit and Finance Division
Bureau of Local Government Services

VILLAGE OF BURLINGTON

VILLAGE COUNCIL

Sandra Dowell
President

Gary Hughes
Council Member

Shirley Jeffries
Council Member

Debra Emmel
Council Member

Jackie Gibson
Council Member

Dan Caldwell
Council Member

Heath Wilcox
Council Member

Linda Horkey
Clerk

Carol Hughes
Treasurer

VILLAGE POPULATION--2000

294

STATE EQUALIZED VALUATION--2004

\$4,592,300



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

August 17, 2005

Village Council
Village of Burlington
Calhoun County
356 East Leroy
Burlington, Michigan 49029

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Burlington, Calhoun County, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the village's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Village of Burlington's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

As described in Note H, the Village of Burlington adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," as amended by GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues;" GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures;" and Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of March 1, 2004.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major

fund, and the aggregate remaining fund information of the Village of Burlington, as of February 28, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued reports dated August 17, 2005, on our consideration of the Village of Burlington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 1 through 4 and the Budgetary Comparisons for Major Funds in Exhibits E and F are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurements and the presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Burlington's basic financial statements. The accompanying supplementary information and schedules as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The individual statements of revenues and expenditures for the general fund and combining statements related to the fiduciary funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

VILLAGE OF BURLINGTON

TABLE OF CONTENTS

	<u>Page</u>
MANAGEMENT’S DISCUSSION AND ANALYSIS	1
<u>BASIC FINANCIAL STATEMENTS</u>	
EXHIBIT A--Government-Wide Statement of Net Assets	5
EXHIBIT B--Government-Wide Statement of Activities	6
EXHIBIT C--Balance Sheet--Governmental Funds	7
EXHIBIT D--Statement of Revenues, Expenditures, and Changes in Fund Balances--Governmental Funds	8
NOTES TO FINANCIAL STATEMENTS	9
<u>REQUIRED SUPPLEMENTAL INFORMATION</u>	
EXHIBIT E--Budgetary Comparison Schedule--General Fund	17
EXHIBIT F--Budgetary Comparison Schedule--Major Street Fund Major Special Revenue Fund	18
EXHIBIT G--Combining Balance Sheet--Non-Major Governmental Funds	19
EXHIBIT H--Combining Statement of Revenues, Expenditures, and Changes in Fund Balance--Non-Major Governmental Funds	20
<u>SUPPLEMENTAL INFORMATION AND SCHEDULES</u>	
EXHIBIT I--Schedule of Revenues and Other Financing Sources Budget and Actual--General Fund	21
EXHIBIT J--Schedule of Expenditures--Budget and Actual--General Fund	22
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	23
Comments and Recommendations.....	25

VILLAGE OF BURLINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village of Burlington, as a whole, and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village as a Whole

The Village's combined net assets increased from a year ago as the Village now has adopted the provisions of GASB No. 34 and capital assets are included in the net asset total. The governmental activities experienced an increase in net assets, of approximately \$51,000 during the year. In a condensed format, the table below shows the net assets as of the February 28, 2005:

Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables presents only current year data. In future years, when prior year information is available, comparative analysis of Village data will be presented.

	<u>2005</u>
Current Assets	\$ 268,797
Noncurrent Assets	<u>49,625</u>
Total Assets	<u>318,422</u>
Total Liabilities	<u>8,479</u>
Net Assets	
Invested in Capital Assets	49,625
Restricted	
Major Street	18,402
Local Street	24,445
Sidewalk and Recreation	10,377
Unrestricted (Deficit)	<u>207,094</u>
Total Net Assets	<u><u>\$ 309,943</u></u>

Unrestricted net assets--the part of net assets that can be used to finance day to day operations of the General Fund, slightly increased with the growth of the Village's tax base.

VILLAGE OF BURLINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of the current date:

	<u>2005</u>
Program Revenues	
Charges for Services	\$ 7,377
Operating Grants and Contributions	30,430
General Revenues	
Property Taxes	33,509
State-Shared Revenues	44,331
Unrestricted Investment Earnings	971
Rents	2,666
Other Revenue	<u>2,604</u>
 Total Revenues	 <u>121,888</u>
 Program Expenses	
General Government	36,128
Public Works	15,854
Recreation and Culture	4,963
Other	<u>13,633</u>
 Total Expenses	 <u>70,578</u>
 Change in Net Assets	 <u><u>\$ 51,310</u></u>

The Village's net assets continue to remain healthy. With new residents moving in, the total revenues grew slightly faster than inflation while we were able to hold down expenses. As a result, net assets grew by \$51,310.

VILLAGE OF BURLINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

The Village's total governmental fund balance increased by approximately \$45,068, primarily due to not doing any street projects this year.

	Governmental Activities 2004	Governmental Activities 2005	Amount Difference 2005	Percent Difference 2005
Revenues				
Taxes	\$ 33,254	\$ 33,509	\$ 255	1%
State Grants	75,303	74,166	(1,137)	-2%
Interest and Rentals	3,999	11,609	7,610	190%
Other	3,147	2,604	(543)	-17%
Total Revenues	115,703	121,888	6,185	5%
Expenses				
General Government	22,356	32,458	10,102	45%
Public Works	51,826	14,387	(37,439)	-72%
Recreation and Culture	2,318	4,963	2,645	114%
Other	12,536	13,633	1,097	9%
Capital Outlay	18,152	11,379	(6,773)	-37%
Total Expenses	107,188	76,820	(30,368)	-28%
Excess of Revenues Over Expenditures	8,515	45,068	36,553	429%
Other Financing Sources				
Transfers In	17,869		(17,869)	-100%
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	26,384	45,068	18,684	71%
Beginning Fund Balance	188,866	215,250	26,384	14%
Ending Fund Balance	\$ 215,250	\$ 260,318	\$ 45,068	21%

Revenues increased by \$6,185 (or 5%) primarily due to the new rental income received for establishing a cell phone tower. Expenditures decreased by approximately \$30,368 (or 28%) during the year. This was primarily the result of not paving any roads as was done in 2004.

The Village's Funds

Our analysis of the Village's major funds begins on page 7, following the entity wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for 2005 include the General Fund and the Major Street Fund.

VILLAGE OF BURLINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS

The General Fund pays for most of the Village's governmental services. The most significant are for general government services, which incurred expenses of approximately \$32,458 in 2005. These services are partially supported by operating millages and State revenue sharing. The Major Street Fund is run by State gas and weight tax revenues.

General Fund Budgetary Highlights

The Village adopted its budget for the 2004/2005 fiscal year and no changes were made after its adoption. No significant events happened during the 2005 fiscal year.

Capital Asset and Debt Administration

At the end of 2005, the Village had \$49,625 invested in a broad range of capital assets, including buildings, office equipment, land, and vehicles. In addition, the village has invested significantly in roads within the Village. The Village does not have any long term debt.

Economic Factors and Next Year's Budgets and Rates

In the upcoming year, the Village is not expecting any significant projects that will create a need to change the budget amounts from the previous year.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village's office.

**VILLAGE OF BURLINGTON
GOVERNMENT-WIDE
STATEMENT OF NET ASSETS
February 28, 2005**

EXHIBIT A

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets	
Bank Deposits and Investments	\$ 197,333
Delinquent Taxes Receivable	8,549
Due From State	<u>62,915</u>
Total Current Assets	<u>268,797</u>
Noncurrent Assets	
Capital Assets--Net of Accumulated Depreciation	<u>49,625</u>
Total Assets	<u>318,422</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	5,325
Accrued Liabilities	<u>3,154</u>
Total Liabilities	<u>8,479</u>
NET ASSETS	
Investment in Capital Assets--Net of Related Debt	49,625
Restricted for	
Major Street	18,402
Local Street	24,445
Sidewalk and Recreation	10,377
Unrestricted	<u>207,094</u>
Total Net Assets	<u><u>\$ 309,943</u></u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF BURLINGTON
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended February 28, 2005

EXHIBIT B

		<u>REVENUES</u>	<u>PROGRAM REVENUES</u>	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Total</u>
Primary Government				
Governmental Activities				
General Government	\$ 36,128			\$ (36,128)
Public Works	15,854	\$ 7,377	\$ 30,430	21,953
Recreation and Culture	4,963			(4,963)
Other	13,633			(13,633)
Total Governmental Activities	<u>\$ 70,578</u>	<u>\$ 7,377</u>	<u>\$ 30,430</u>	<u>\$ (32,771)</u>
		General Revenues		
		Property Taxes		\$ 33,509
		State-Shared Revenues		44,331
		Unrestricted Investment Earnings		971
		Rents		2,666
		Other		<u>2,604</u>
		Total General Revenues--Special Items and Transfers		<u>84,081</u>
		Change in Net Assets		51,310
		Net Assets--Beginning		<u>258,633</u>
		Net Assets--Ending		<u>\$ 309,943</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF BURLINGTON
BALANCE SHEET
GOVERNMENTAL FUNDS
February 28, 2005

EXHIBIT C

	SPECIAL REVENUE FUNDS			Total
	General	Major Street	Nonmajor Governmental	Governmental Funds
<u>ASSETS</u>				
Bank Deposits and Investments	\$ 114,570	\$ 57,031	\$ 25,732	\$ 197,333
Delinquent Taxes Receivable	8,549			8,549
Due From State	13,519	35,931	13,465	62,915
Due From Other Funds	78,935			78,935
Total Assets	<u>\$ 215,573</u>	<u>\$ 92,962</u>	<u>\$ 39,197</u>	<u>\$ 347,732</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities				
Accounts Payable	\$ 5,325			\$ 5,325
Due to Other Funds		\$ 74,560	\$ 4,375	78,935
Accrued Liabilities	3,154			3,154
Total Liabilities	<u>8,479</u>	<u>74,560</u>	<u>4,375</u>	<u>87,414</u>
Fund Balances				
Unreserved--Undesignated	207,094	18,402	34,822	260,318
Total Fund Balance	<u>207,094</u>	<u>18,402</u>	<u>34,822</u>	<u>260,318</u>
Total Liabilities and Fund Balance	<u>\$ 215,573</u>	<u>\$ 92,962</u>	<u>\$ 39,197</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	<u>49,625</u>
Net Assets of Governmental Activities	<u>\$ 309,943</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF BURLINGTON
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended February 28, 2005

EXHIBIT D

	SPECIAL REVENUE FUNDS			Total Governmental Funds
	General	Major Street	Nonmajor Governmental	
Revenues				
Taxes and Penalties	\$ 33,509			\$ 33,509
State Grants	45,839	\$ 20,620	\$ 7,707	74,166
Interest and Rentals	3,637	501	7,471	11,609
Other Revenue	2,604			2,604
Total Revenues	85,589	21,121	15,178	121,888
Expenditures				
Current				
General Government	32,458			32,458
Public Works	11,521	753	2,113	14,387
Recreation and Cultural	4,963			4,963
Other	13,633			13,633
Capital Outlay	11,379			11,379
Total Expenditures	73,954	753	2,113	76,820
Excess of Revenues Over (Under) Expenditures	11,635	20,368	13,065	45,068
Other Financing Sources (Uses)				
Interfund Transfers In			3,000	3,000
Interfund Transfers (Out)	(3,000)			(3,000)
Total Other Financing Sources (Uses)	(3,000)	-	3,000	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	8,635	20,368	16,065	45,068
Fund Balance--March 1, 2004	198,459	(1,966)	18,757	215,250
Fund Balance--February 28, 2005	\$ 207,094	\$ 18,402	\$ 34,822	\$ 260,318
Excess of Revenue over Other Sources Over (Under) Expenditures and Other Uses				\$ 45,068
Amounts reported for governmental activities in the Statement of Activities are different because:				
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.				6,242
Change in Net Assets of Governmental Activities				\$ 51,310

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF BURLINGTON
NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Burlington (village) is located in Calhoun County and operates under a general law village form of government. The village provides services to its 294 residents in many areas including public works and general government. The Village of Burlington is a general law village governed by a six member council and president elected by the citizens of the village.

REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the village (the primary government) and its component units. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading, if data were not included.

The individual component units discussed below are included in the village's reporting entity because of the significance of their operational or financial relationships with the village.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

VILLAGE OF BURLINGTON
NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The village reports the following major governmental funds:

The General Fund is the village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the village's policy to use restricted first, then unrestricted resources as they are needed.

VILLAGE OF BURLINGTON
NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements, outstanding at the end of the fiscal year, are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building	20 to 40 years
Equipment	3 to 10 years
Vehicles	5 to 10 years

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The village adopted a budget for the 2004/2005 fiscal year for the General Fund only. Budgets were adopted for the special revenue funds and no public hearing was held. The budget adopted for the General Fund was not prepared in accordance with PA 2 of 1968, as amended, the Uniform Budgeting Act, as amended.

VILLAGE OF BURLINGTON
NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

During the year, the village incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<u>Fund, Function and Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
General Fund			
General Government			
Village Council	\$ 750	\$ 5,375	\$ (4,625)
Elections		1,941	(1,941)
Audit		7,485	(7,485)
Attorney		870	(870)
Clerk		2,944	(2,944)
Treasurer	3,000	3,372	(372)
Public Works			
Street Lights		5,669	(5,669)
Department of Public Works	500	5,852	(5,352)
Recreational and Cultural			
Parks and Recreation	1,000	4,963	(3,963)
Other			
IRS Penalties		586	(586)
Insurance	12,000	12,256	(256)
Capital Outlay	1,200	11,379	(10,179)

During the year ended February 28, 2005, budgets were not adopted for the following special revenue funds:

Major Street
Local Street
Sidewalk and Recreation

Legal Noncompliance/Violation of Finance Related Provision

1. Noncompliance with the budgeting act as required by PA 2 of 1968, as amended, (MCL 141.421 through MCL 141.440a)
2. Failure to adopt an investment policy in accordance with PA 20 of 1943, as amended, (MCL 129.95).

VILLAGE OF BURLINGTON
NOTES TO FINANCIAL STATEMENTS

NOTE C--BALANCE SHEET CASH AND INVESTMENTS

Michigan Compiled Laws (MCL), Section 129.91, authorizes the local unit to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities, and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Deposits are carried at cost. Deposits of the village are at one bank in the name of village. The village has not adopted an investment policy in accordance with Public Act 20 of 1943, as amended. The village's deposits are in accordance with statutory authority.

At year end, the village's deposits and investments were reported in the basic financial statements in the following category:

	<u>Governmental Activities</u>
Bank Deposits	<u>\$197,333</u>
Total	<u><u>\$197,333</u></u>

The bank balance of the primary government's deposits is \$197,333, of which \$100,000 is covered by Federal depository insurance.

NOTE D--PROPERTY TAXES

Property Taxes

The village's 2004 ad valorem tax is levied and collectible on July 1, 2004. It is the village's policy to recognize revenues from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing of the village operations. Property taxes are recognized when received. The 2004 State taxable valuation of village amounted to \$3,211,400, on which ad valorem taxes levied for all village purposes are \$33,189. There are 10.3352 mills for general operations recognized in the General Fund.

VILLAGE OF BURLINGTON
NOTES TO FINANCIAL STATEMENTS

NOTE D--PROPERTY TAXES (Continued)

Uncollected real property taxes, which become delinquent October 1, are purchased by Calhoun County and paid to the village in May of the subsequent year. The delinquent taxes at February 28th are recorded as delinquent taxes receivable.

Taxes Receivable--Delinquent

The taxes receivable delinquent in the General Fund consist of uncollected real property taxes levied July 1, 2004, which have not been collected at February 28, 2005. The delinquent property taxes for the General Fund is \$8,549.

NOTE E--INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The amounts of interfund receivables and payables for the primary government are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 78,935	Major Street	\$ 74,560
		Nonmajor Governmental	4,375
Total	<u>\$ 78,935</u>		<u>\$ 78,935</u>

The 2005 operating transfers from Exhibits D can be summarized as follows:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
Primary Government		
General		\$3,000
Nonmajor Governmental	<u>\$3,000</u>	
Total Primary Government	<u>\$3,000</u>	<u>\$3,000</u>

VILLAGE OF BURLINGTON
NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	<u>\$ 10,000</u>	<u> </u>	<u> </u>	<u>\$ 10,000</u>
Subtotal	<u>10,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>10,000</u>
Capital Assets Being Depreciated				
Buildings	130,000			130,000
Equipment	1,558	360		1,918
Vehicles	<u>28,833</u>	<u>11,019</u>	<u> </u>	<u>39,852</u>
Subtotal	<u>160,391</u>	<u>11,379</u>	<u>-</u>	<u>171,770</u>
Less Accumulated Depreciation for				
Buildings	97,553	3,259		100,812
Equipment	622	411		1,033
Vehicles	<u>28,833</u>	<u>1,467</u>	<u> </u>	<u>30,300</u>
Subtotal	<u>127,008</u>	<u>5,137</u>	<u>-</u>	<u>132,145</u>
Net Capital Assets Being Depreciated	<u>33,383</u>	<u>6,242</u>	<u>-</u>	<u>39,625</u>
Governmental Activities Capital Total Capital Assets--Net of Depreciation	<u>\$ 43,383</u>	<u>\$ 6,242</u>	<u>\$ -</u>	<u>\$ 49,625</u>

The depreciation expense was \$5,137 during the year.

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$3,670
Public Works	<u>1,467</u>
Total Governmental Activities	<u>\$5,137</u>

VILLAGE OF BURLINGTON
NOTES TO FINANCIAL STATEMENTS

NOTE G--RISK MANAGEMENT

The Village of Burlington is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The village has purchased commercial insurance coverage through various policies for general liability, property, vehicle and workmen's compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township's Participating Plan operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

NOTE H--CHANGE IN ACCOUNTING PRINCIPLE

Effective March 1, 2004, the village implemented several new accounting standards issued by GASB:

Statement No. 33, "Accounting and Financial Reporting for Non-Exchange Transactions," as amended by Statement No. 36, "Recipient Reporting for Certain Shared Non-Exchange Revenues," which establishes standards for recording nonexchange transactions on the modified accrual and accrual basis of accounting.

Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments," as amended by Statement No. 37, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments Omnibus," which established new financial reporting standards for state and local governments. This statement requires a significant change in the financial reporting model used by local governments, eliminating account groups and utilizing the full accrual basis of accounting and the economic resources measurement focus. Another significant change is the "Management Discussion and Analysis Section," which provides an overall analysis of the financial position and results of operations and conditions that could have a significant effect on the financial position or results of operations.

Statement No. 38, "Certain Financial Statement Note Disclosures," which requires certain note disclosures when implementing GASB Statement No. 34. Also implemented was Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of October 1, 2002.

VILLAGE OF BURLINGTON
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended February 28, 2005

EXHIBIT E

	BUDGETED AMOUNTS		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes and Penalties	\$ 30,000	\$ 30,000	\$ 33,509	\$ 3,509
State Grants	23,000	23,000	45,839	22,839
Interest and Rentals	3,500	3,500	3,637	137
Other Revenue	-	-	2,604	2,604
Total Revenues	56,500	56,500	85,589	29,089
Expenditures				
Current				
General Government	20,250	20,250	32,458	(12,208)
Public Works	500	500	11,521	(11,021)
Recreation and Cultural	1,000	1,000	4,963	(3,963)
Other	23,750	23,750	13,633	10,117
Capital Outlay	1,200	1,200	11,379	(10,179)
Debt Service	7,800	7,800	-	7,800
Total Expenditures	54,500	54,500	73,954	(19,454)
Excess of Revenues Over (Under) Expenditures	2,000	2,000	11,635	9,635
Other Financing Sources (Uses)				
Interfund Transfers In	2,000	2,000	-	(2,000)
Interfund Transfers (Out)	(4,000)	(4,000)	(3,000)	1,000
Total Other Financing Sources (Uses)	(2,000)	(2,000)	(3,000)	(1,000)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	8,635	8,635
Fund Balance--March 1, 2004	-	-	198,459	198,459
Fund Balance--February 28, 2005	\$ -	\$ -	\$ 207,094	\$ 207,094

VILLAGE OF BURLINGTON
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET--MAJOR SPECIAL REVENUE FUND
For the Year Ended February 28, 2005

EXHIBIT F

	BUDGETED AMOUNTS		Variance With
	Original	Final	Final Budget Positive (Negative)
Revenues			
State Grants			\$ 20,620
Interest and Rentals			501
Total Revenues	\$ -	\$ -	21,121
Expenditures			
Public Works			
Winter Maintenance			753
Total Expenditures	-	-	753
Excess of Revenues Over (Under) Expenditures	-	-	20,368
Fund Balance--March 1, 2004			(1,966)
Fund Balance--February 28, 2005	\$ -	\$ -	\$ 18,402

**VILLAGE OF BURLINGTON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
February 28, 2005**

EXHIBIT G

	Local Street	Sidewalk and Recreation	Total
<u>ASSETS</u>			
Bank Deposits and Investments	\$ 15,355	\$ 10,377	\$ 25,732
Due From State	13,465		13,465
Total Assets	<u>\$ 28,820</u>	<u>\$ 10,377</u>	<u>\$ 39,197</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities			
Due to Other Funds	\$ 4,375		\$ 4,375
Total Liabilities	<u>4,375</u>	<u>\$ -</u>	<u>4,375</u>
Fund Equity			
Fund Balance	<u>24,445</u>	<u>10,377</u>	<u>34,822</u>
Total Fund Equity	<u>24,445</u>	<u>10,377</u>	<u>34,822</u>
Total Liabilities and Fund Equity	<u>\$ 28,820</u>	<u>\$ 10,377</u>	<u>\$ 39,197</u>

VILLAGE OF BURLINGTON
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended February 28, 2005

EXHIBIT H

	Local Streets	Sidewalk and Recreation	Total
Revenues			
State Grants	\$ 7,707		\$ 7,707
Interest and Rents	94	\$ 7,377	7,471
Total Revenue	7,801	7,377	15,178
Expenditures			
Public Works			
Winter Maintenance	2,113		2,113
Total Expenditures	2,113	-	2,113
Excess of Revenues Over (Under)			
Expenditures	5,688	7,377	13,065
Other Financing Sources (Uses)			
Operating Transfers In		3,000	3,000
Total Other Financing Sources (Uses)	-	3,000	3,000
Excess of Revenues and Other			
Sources Over (Under)			
Expenditures and Other Uses	5,688	10,377	16,065
Fund Balance--March 1, 2004	18,757	-	18,757
Fund Balance--February 28, 2005	\$ 24,445	\$ 10,377	\$ 34,822

VILLAGE OF BURLINGTON
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET TO ACTUAL--GENERAL FUND
For the Year Ended February 28, 2005

EXHIBIT I

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>				
Property Taxes				
Current and Delinquent	\$ 30,000	\$ 30,000	\$ 33,509	\$ 3,509
Total Property Taxes	30,000	30,000	33,509	3,509
State Grants				
Revenue Sharing	23,000	23,000	44,331	21,331
Metro Act	-	-	1,508	1,508
Total State Grants	23,000	23,000	45,839	22,839
Interest and Rentals				
Interest	1,000	1,000	971	(29)
Hall Rental	500	500	675	175
Vehicle Rental	-	-	1,991	1,991
Land Rental	2,000	2,000		(2,000)
Total Interest and Rentals	3,500	3,500	3,637	137
Other				
Miscellaneous	-	-	2,604	2,604
Total Other Revenue	-	-	2,604	2,604
Total Revenue	56,500	56,500	85,589	29,089
Other Financing Sources				
Operating Transfers In	2,000	2,000	-	(2,000)
Total Other Financing Sources	2,000	2,000	-	(2,000)
Total Revenue and Other Financing Sources	\$ 58,500	\$ 58,500	\$ 85,589	\$ 27,089

VILLAGE OF BURLINGTON
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended February 28, 2005

EXHIBIT J

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
General Government				
Village Council	\$ 750	\$ 750	\$ 5,375	\$ (4,625)
Elections	-	-	1,941	(1,941)
Audit	-	-	7,485	(7,485)
Attorney Fees	-	-	870	(870)
Clerk	-	-	2,944	(2,944)
Treasurer	3,000	3,000	3,372	(372)
Building and Grounds	16,500	16,500	10,471	6,029
Total General Government	20,250	20,250	32,458	(12,208)
Public Works				
Street Lights	-	-	5,669	(5,669)
Department of Public Works	500	500	5,852	(5,352)
Total Public Works	500	500	11,521	(11,021)
Recreational and Cultural				
Parks and Recreation	1,000	1,000	4,963	(3,963)
Total Recreational and Cultural	1,000	1,000	4,963	(3,963)
Other				
IRS Penalties	-	-	586	(586)
Workers' Compensation	11,750	11,750	791	10,959
Insurance and Fringes	12,000	12,000	12,256	(256)
Total Other	23,750	23,750	13,633	10,117
Capital Outlay	1,200	1,200	11,379	(10,179)
Total Capital Outlay	1,200	1,200	11,379	(10,179)
Debt Service	7,800	7,800	-	7,800
Total Debt Service	7,800	7,800	-	7,800
Other Financing Sources				
Operating Transfers (Out)	4,000	4,000	3,000	1,000
Total Other Financing Source	4,000	4,000	3,000	1,000
Total Expenditures	\$ 58,500	\$ 58,500	\$ 76,954	\$ (18,454)



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

August 17, 2005

Village Council
Village of Burlington
Calhoun County
356 East Leroy
Burlington, Michigan 49029

RE: Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Council Members:

We have audited the financial statements of the Village of Burlington, Calhoun County, Michigan, as of and for the year ended February 28, 2005, and have issued our report thereon dated August 17, 2005. The village adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," as amended by GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues;" GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures;" and Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of February 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether the Village of Burlington's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, and noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards, however, we did note other instances of noncompliance described in the accompanying comments and recommendations as items 05-05 through 05-12.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered the Village of Burlington's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village of Burlington's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations as items 05-01 through 05-04.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 05-01 and 05-02 to be material weaknesses.

This report is intended solely for the information and use of the management, the board of commissioners, Federal awarding agencies, and State and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

VILLAGE OF BURLINGTON
COMMENTS AND RECOMMENDATIONS

MATERIAL INTERNAL CONTROL WEAKNESSES

Management (Village Council) is responsible for establishing and maintaining a system of internal controls over the accounting procedures. Our study and evaluation of internal control disclosed the following conditions that we believe to be material weaknesses:

Issuance and Reconciliation of Receipts for All Revenue Received

Finding 05-01

Condition: We found that the village does not prepare receipts for all money collected, nor does it have any formal policy or procedures for receipting in revenue.

Criteria: Strong internal controls provide for the reliability of financial reporting, safeguarding of vulnerable assets, accurate and timely reporting of transactions, access restrictions to and accountability for resources and records, and proper documentation of transactions. The Michigan Department of Treasury, Uniform Accounting Procedures Manual, sets forth the minimum internal controls that must be in place in every unit of government in Michigan as follows:

1. Official receipts are to be issued for each collection whether received from an individual, the state, the county, or another local unit department.
2. Numerically controlled (printer pre-numbered) three-part official receipts with the name of the local unit printed on the receipt must be issued for all collections.
3. The use of generic, store-bought receipts is strictly prohibited.
4. "Cash" or "check" as the method of payment must be indicated on the receipt.
5. The receipt must identify the individual receiving payment.
6. The receipt must allow for immediate revenue account classification in conformance with the Uniform Chart of Accounts.
7. Checks must be restrictively endorsed at the point and time of collection.
8. When possible, someone other than the person who writes receipts or posts the accounting records must be responsible to verify that collections received in the mail are properly receipted.
9. When possible, collections must be reconciled by an individual not involved in the receipting process.

Recommendation: We recommend that receipts be written for all revenue received from whatever source. Further, the village must maintain a complete and accurate receipt register. Each month the bank deposits should be reconciled with the receipts issued and the cash balance in the general ledger.

VILLAGE OF BURLINGTON
COMMENTS AND RECOMMENDATIONS

MATERIAL INTERNAL CONTROL WEAKNESSES (Continued)

DISBUREMENTS PROCESS (VENDOR AND PAYROLL CHECKS)

Lack of Administrative Approval for Disbursements

Finding 05-02

Condition: The village treasurer reviews invoices as they are received, but does not indicate administrative approval on the invoices.

Approval of Time Sheets

Condition: Time sheets are not signed or initialed to indicate evidence of supervisory review.

Lack of Dual Signatures

Condition: Not every check written by the village was signed by two representatives of the village.

Posting of Expenditures

Condition: The payroll expenditures are not being properly posted to the correct departments in the general ledger. During our testing, we found that payroll is not properly distributed between the Department of Public Works, Park, and Street Funds. Also, the electric bills are not being broken down between the building, street lights, or park.

Criteria: Standards of Internal Control for the Federal Government lists *control activities* as one of the five components of internal control. Control activities occur at all levels and include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, and performance reviews. According to the Standards for Internal Control, transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire vendor payment and payroll process from the initiation and authorization through its final classification in summary records. According to the Uniform Accounting Procedures Manual, invoices should contain administrative approval as verification that the invoices (or timesheets) have been properly reviewed and “appropriate documentation that has been reviewed by the proper personnel must be attached for all disbursements.” It also requires invoices to provide account classification in conformance with the Uniform Chart of Accounts and that all checks contain dual signatures.

Recommendation: We recommend that the village begin including administrative approval on all invoices as verification that the invoices have been reviewed and that all time sheets be reviewed and signed by the appropriate personnel. We also recommend that the village implement control activities to ensure that the payroll and electric expenditures are properly posted to the appropriate department or activity.

VILLAGE OF BURLINGTON
COMMENTS AND RECOMMENDATIONS

REPORTABLE CONDITIONS

Although the following are not considered material weaknesses in the village's internal control, our audit disclosed certain other reportable conditions which we wish to point out for consideration by the management of the Village of Burlington.

Payments to the State for Payroll Withholdings

Finding 05-03

Condition: The village currently has a balance of \$1,296 in its General Fund related to unpaid State payroll withholdings.

Criteria: State taxes withheld as a payroll deductions are to be paid to the State in a timely manner.

Recommendation: We recommend that the village investigate the balance due and contact the Michigan Department of Treasury, Sales Use and Withholding Division, to determine what action needs to be taken. This is especially important to avoid any additional penalties and interest that may be charged. The State tax withholding account in the General Fund should be reconciled to ensure that the taxes are paid and charged against the proper account.

Accruals

Finding 05-04

Condition: Accruals (accounts receivable), the recording of the revenues in the accounting period to which they relate, were not recorded for the governmental funds. The village also does not record the April distribution of State revenue sharing as a receivable. Therefore, the corresponding revenue account is misstated.

Criteria: Governmental funds are to be maintained on a modified accrual basis. Generally accepted accounting principles also require that accounts receivable be established to properly match the fiscal year's revenues and expenses. Also, according to numbered letter 1997-1, Accrual of State Shared Revenues, local units with a February 28 year end must accrue the April distribution because it is for the January/February collection period.

Recommendation: We recommend that the village record accruals. The accruals should be reconciled to subsidiary records to support the balances in the respective accounts.

VILLAGE OF BURLINGTON
COMMENTS AND RECOMMENDATIONS

STATUTORY COMPLIANCE

Adoption of Village General Appropriation Act

Finding 05-05

Condition: The village did not hold a public hearing before passing its 2004-2005 budget. Budgets were not adopted for the Special Revenue Funds. At the start of both years, the village was incurring expenditures in excess of the budget (because there was no budget adopted). The budgets that were adopted by the board were not prepared in any aspect in accordance with Public Act 2 of 1968, as amended.

As of August 18, 2005, the village has not adopted a budget for the 2005/2006 fiscal year.

Criteria: MCL 141.413 Sec. 3 states: "Each local unit shall hold such a public hearing prior to final adoption of its budget."

MCL 141.435 Sec. 15 states:

- (1) The recommended budget shall include at least the following:
 - (a) Expenditure data for the most recently completed fiscal year and estimated expenditures for the current fiscal year.
 - (b) An estimate of the expenditure amounts required to conduct, in the ensuing fiscal year, the government of the local unit, including its budgetary centers.
 - (c) Revenue data for the most recently completed fiscal year and estimated revenues for the current fiscal year.
 - (d) An estimate of the revenues, by source of revenue, to be raised or received by the local unit in the ensuing fiscal year.
 - (e) The amount of surplus or deficit that has accumulated from prior fiscal years, together with an estimate of the amount of surplus or deficit expected in the current fiscal year. The inclusion of the amount of an authorized debt obligation to fund a deficit shall be sufficient to satisfy the requirement of funding the amount of a deficit estimated under this subdivision.
 - (f) An estimate of the amounts needed for deficiency, contingent, or emergency purposes.
 - (g) Other data relating to fiscal conditions that the chief administrative officer considers to be useful in considering the financial needs of the local unit.
- (2) The total estimated expenditures, including an accrued deficit, in the budget shall not exceed the total estimated revenues, including an available unappropriated surplus and the proceeds from bonds or other obligations issued under the fiscal stabilization act or the balance of the principal of these bonds or other obligations.

MCL 141.436 Sec. 16 states:

- (1) Unless another method for adopting a budget is provided by a charter provision in effect on April 1, 1980, the legislative body of each local unit shall pass a general appropriations act for all funds except trust or agency, internal service, enterprise, debt service or capital project funds for which the legislative body may pass a special appropriation act.

VILLAGE OF BURLINGTON
COMMENTS AND RECOMMENDATIONS

STATUTORY COMPLIANCE (Continued)

- (2) The general appropriations act shall set forth the total number of mills of ad valorem property taxes to be levied and the purposes for which that millage is to be levied. The amendatory act that added this subsection shall be known and may be cited as "the truth in budgeting act."
- (3) The general appropriations act shall set forth the amounts appropriated by the legislative body to defray the expenditures and meet the liabilities of the local unit for the ensuing fiscal year, and shall set forth a statement of estimated revenues, by source, in each fund for the ensuing fiscal year.
- (4) The general appropriations act shall be consistent with the uniform chart of accounts prescribed by the state treasurer or, for local school districts and intermediate school districts prescribed by the state board of education.

MCL 141.438 Section 18 (3) states: "Except as otherwise provided in section 19, an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body. The chief administrative officer, an administrative officer, or an employee of the local unit shall not apply or divert money of the local unit for purposes inconsistent with those specified in the appropriations of the legislative body."

Directive: We direct the village to comply with the above statutory budgeting requirements and to schedule and hold hearings as required by law. The village council should take appropriate action to ensure that the budget is balanced and adopted in a timely manner as required by law and make budget amendments as needed throughout the year.

Expenditures in Excess of Appropriations

Finding 05-06

Condition: Our examination of procedures used by the village to adopt and maintain operating budgets for the village's budgetary funds revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

The village's 2004/2005 General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level by the village. As detailed below, actual 2004/2005 expenditures exceeded the council's approved budget allocations for several general fund activities.

During the fiscal year ended February 28, 2005, expenditures were incurred in excess of amounts appropriated in the amended budgets for the general fund as follows:

VILLAGE OF BURLINGTON
COMMENTS AND RECOMMENDATIONS

STATUTORY COMPLIANCE (Continued)

<u>Fund, Function and Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
General Fund			
General Government			
Village Council	\$ 750	\$ 5,375	\$ (4,625)
Elections		1,941	(1,941)
Audit		7,485	(7,485)
Attorney		870	(870)
Clerk		2,944	(2,944)
Treasurer	3,000	3,372	(372)
Public Works			
Street Lights		5,669	(5,669)
Department of Public Works	500	5,852	(5,352)
Recreational and Cultural			
Parks and Recreation	1,000	4,963	(3,963)
Other			
IRS Penalties		586	(586)
Insurance	12,000	12,256	(256)
Capital Outlay	1,200	11,379	(10,179)

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Section 17 of Public Act 2 of 1968, as amended.

Directive: We direct the village to develop budgetary control procedures for the general fund which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof.

Investment Policy

Finding 05-07

Condition: As of February 28, 2005, the village council has not adopted an investment policy.

Criteria: According to Public Act 20 of 1943, as amended, a formal investment policy is to be adopted by the board no later than August 31, 1998.

Directive: We direct that an investment policy be established in accordance with Public Act 43 of 1943, as amended.

VILLAGE OF BURLINGTON
COMMENTS AND RECOMMENDATIONS

STATUTORY COMPLIANCE (Continued)

Failure to Adopt Multiyear Program

Finding 05-08

Condition: The village has not adopted a multi-year program for its road system.

Criteria: According to MCL 247.659a section 7, beginning October 1, 2003, villages shall annually prepare and publish a multi-year program, based on the long-range plans and developed through the use of the asset management process.

Directive: We direct the village to adopt the multi-year program and submit the plan to the Michigan Department of Transportation in accordance with State statute.

Posting of Expenses for Road Funds

Finding 05-09

Condition: The village did not post the wages or the vehicle rental expenses incurred by the street funds to the village's general ledger.

Criteria: According to MCL 247.659a, Section 9, the village shall keep accurate and uniform records on all road and bridge work performed and funds expended for the purposes of the road.

According to Public Act 51 of 1951, as amended, when equipment is purchased by another fund (General Fund), this fund will then be reimbursed by the Major and Local Street Funds through equipment rental payments based upon equipment usage reports prepared by the equipment operator.

Directive: We direct the village to post all expenses related to the street funds to the general ledger. When the street funds use equipment, the funds using the equipment should reimburse the General Fund. The equipment should be charged out as a rental expense in the street funds using the equipment and as rental income in the General Fund.

Nonmotorized Transportation Services

Finding 05-10

Condition: The village did not spend any of the Michigan Transportation Funds received on any nonmotorized transportation services or prepare and submit a 5-year program for the improvement of qualified nonmotorized facilities.

VILLAGE OF BURLINGTON
COMMENTS AND RECOMMENDATIONS

STATUTORY COMPLIANCE (Continued)

Criteria: According to MCL 247.660k, the village shall spend a reasonable amount, but not less than 1% of the funds from the Michigan Transportation Fund being expended on nonmotorized transportation services and facilities per year (an improvement in a road, street, or highway which facilities nonmotorized transportation by the paving of unpaved road surfaces and shoulders, widening of lanes, or any other appropriate measures). Units of government need not meet the provisions of this section annually, provided the requirements are met as an average over a reasonable period of years, beginning with 1978, not to exceed 10. The village receiving money annually from the Michigan Transportation Fund shall prepare and submit a 5-year program for the improvement of qualified nonmotorized facilities which when implemented would result in the expenditure of an amount equal to at least 1% of the amount distributed to the village from the Michigan Transportation Fund in the previous calendar year multiplied by 10, less the accumulated total expenditures by the village for qualified nonmotorized facilities in the immediately preceding 5 calendar years.

Directive: We direct the village to spend at least 1% of the Michigan Transportation Funds received on nonmotorized transportation services or meet the requirements as an average over a reasonable period of years, beginning with 1978, not to exceed 10. We also direct the village to prepare and submit a 5-year program for the improvement of qualified nonmotorized facilities as specified above.

Biennial Street Programs

Finding 05-11

Condition: The village does not prepare a biennial street program for its road system.

Criteria: According to MCL 247.664, the village shall prepare a biennial primary road and major street program, based on long-range plans, and make the programs available for review by the public.

Directive: We direct the village to adopt a biennial street program in accordance with State statute.

Filing of Act 51 Report

Finding 05-12

Condition: The village has not filed its Act 51 report to the Michigan Department of Transportation.

Criteria: According to MCL 247.665, the village shall file with the director of the State Transportation Department, not more than 120 days after the end of its fiscal year, on forms provided by the director, a report showing the disposition of funds, appropriated, apportioned, or allocated under this act to the village.

Directive: We direct the village to file the Act 51 report with the Michigan Department of Transportation.